INVESTOR CLINIC

Even as markets tumble, the dividend hikes keep coming

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Stocks have been stumbling through February, as worries about the economy, [interest rates](https://www.theglobeandmail.com/topics/bank-of-canada/) and corporate earnings weigh on equity markets. But for dividend investors, it’s been a banner month.

Since Feb. 1, six of the 19 companies in my model Yield Hog Dividend Growth Portfolio have raised their payouts to shareholders. Manulife Financial Corp.

[MFC-T](https://www.theglobeandmail.com/investing/markets/stocks/MFC-T/) +0.85%increase

 boosted its dividend by 11 per cent, Brookfield Infrastructure Partners LP

[BIP-UN-T](https://www.theglobeandmail.com/investing/markets/stocks/BIP-UN-T/) +0.97%increase

 by 6 per cent, BCE Inc.

[BCE-T](https://www.theglobeandmail.com/investing/markets/stocks/BCE-T/) +1.07%increase

 by 5.2 per cent, TC Energy Corp.

[TRP-T](https://www.theglobeandmail.com/investing/markets/stocks/TRP-T/) +1.26%increase

 by 3.3 per cent, Restaurant Brands International Inc.

[QSR-T](https://www.theglobeandmail.com/investing/markets/stocks/QSR-T/) +0.22%increase

 by 1.8 per cent and Choice Properties Real Estate Investment Trust

[CHP-UN-T](https://www.theglobeandmail.com/investing/markets/stocks/CHP-UN-T/) +0.54%increase

 by 1.3 per cent.

Choice’s increase was the smallest of the bunch, but it’s noteworthy because it marked the first increase since 2017 – the year before Choice merged with Canadian REIT. Choice announced the increase along with solid fourth-quarter results, which benefited from the strength of its grocery-anchored retail centres, higher rents in its industrial portfolio and contributions from its growing residential and mixed-use developments.

Hopefully, it’s a sign that Choice will return to its previous pattern of annual distribution hikes. “The increase reflects the confidence we have in our portfolio to continue to deliver steady and growing cash flows, and our strong financial position,” said Rael Diamond, Choice’s president and chief executive officer.

In isolation, these increases may not seem like much. But, over time, they add up to substantial income growth.

Including the February increases, my model dividend portfolio is now churning out about $6,915 of dividend income annually, based on current dividend rates. That’s up almost 69 per cent from annual income of $4,094 when the portfolio was started on Oct. 1, 2017, with $100,000 of virtual money.

Apart from putting more money in your pocket, growing dividends have another big advantage: They make it easier to live with volatility of the sort we’ve seen recently. Accepting market setbacks, without panicking or changing course, is one of the secrets to building wealth. When companies are sending you dividends every quarter (or every month, in some cases), and raising those dividends regularly, it’s a powerful incentive to stay invested through good times and bad. It also reduces the urge to check stock prices frequently, helping you focus on the long term.

Now, I’ll answer a couple of questions from readers.

My son started his MBA at Columbia University in January. It’s an expensive program, and I’m wondering how we can get the best exchange rate when converting Canadian dollars to U.S. dollars.

Exchanging currencies at your bank is the easiest and most convenient option, but the Big Five aren’t known for their generosity in foreign exchange transactions. If you’re willing to do a little more work, you’ll likely find a better rate at a dedicated foreign exchange company such as Knightsbridge Foreign Exchange, CanAm Currency Exchange, OFX or Wise.

Foreign exchange firms are used to dealing with international students, and for large transactions – such as paying the US$80,000 tuition at Columbia – the savings can be significant. Knightsbridge, for example, says it can save customers about $265 for every $10,000 converted into U.S. dollars compared with the big banks.

Exchange rates aren’t the only factor to consider. Be sure to read reviews to make sure you’re dealing with a reputable firm with a strong record of customer service.

Don’t necessarily write off your bank just yet. Because you’ll be exchanging a large sum of money, it’s worth asking what cross-border banking packages it has for Canadians living in the United States and whether it can offer rates that are competitive with those of foreign exchange firms. In my experience dealing with financial institutions, it never hurts to ask.

My 17-year-old daughter recently started her first job. I noticed on her pay stubs there has been no deduction for the Canada Pension Plan. She only works part-time and less than 15 hours per week. Is this the reason why? Or should there be deductions regardless of hours worked and rate of pay?

Mandatory CPP contributions don’t kick in until a person turns 18, so your daughter is off the hook until her next birthday. After that, she and her employer will begin making CPP contributions at the rate of 5.95 per cent each, but only on your daughter’s employment earnings above $3,500, which is the annual exemption amount.

For 2023, CPP contributions top out once income reaches the maximum pensionable earnings amount of $66,600, but the ceiling rises every year in line with growth in average weekly wages and salaries in Canada. Starting in 2024, a second, higher ceiling will be introduced as part of enhancements to CPP, which will allow people with higher incomes to make additional contributions.